

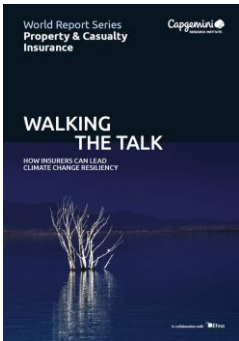
WEALTH MANAGEMENT TRENDS BOOK 2023





CAPGEMINI RESEARCH INSTITUTE FOR FS DELIVERS A BROAD RANGE OF SECTOR SPECIFIC WORLD REPORTS AND TRENDS BOOKS

World Reports



Trends Books

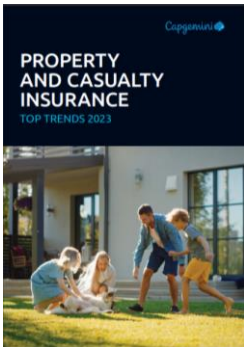


Executive Interviews/Surveys

950+

Voice of Consumer

23,500





TREND 10 TRENDS IN BANKING BY SUB-DOMAINS

Changes in industry dynamics

Creating and enabling new values

Customer centricity

Business resilience

New horizons

WEALTH MANAGEMENT



ESG regulatory standards aim to curb corporate investment greenwashing



Demand for outsourced chief investment officer (OCIO) services is on the rise



Investor appetite for digital assets drives wealth industry capabilities beyond cryptocurrencies



Amid volatility, investors seek new portfolio strategies, such as direct indexing



Wealth management firms refocus on the mass-affluent segment



Women increasingly control more wealth, yet many firms falter at winning their mindshare and share of wallet



Evaluating cybersecurity for future readiness



A digitalized core can bridge the gap between relationship managers' expectations and WM firms' automation capabilities



The wealth management industry is consolidating to achieve scale



Family offices showcase bespoke services while facing regulatory dynamics

RETAIL BANKING



Smart branches feature experiential banking and convenience to spark customer connection



Incumbents scout for mature FinTechs to complement capabilities, boost bank profitability



More banks commit to driving circular economy sustainability



Banks step up and own customer experience with embedded finance



Financial wellness advice can help customers navigate the cost-of-living challenges



CMOs leverage actionable data insights to guide customer-centricity



Digital identity to unlock efficiency gains for banks



Banks unlock value at scale by migrating workload to the cloud



A boom in synthetic data will catalyze data ecosystem growth



As banks explore decentralized finance, they remain cautious

PAYMENTS



Global adoption of ISO 20022 opens doors to data monetization



An end-to-end ecosystem approach simplifies payment hub modernization



Embedded finance providers leverage customer data and actionable insights to unlock new use cases



Real-time cross-border payment rails will boost the speed and volume of regional trade



Paytech innovation and ecosystem partnerships focus on revamping SMB payments



Composable architecture creates competitive advantage efficiencies



B2B Buy Now/Pay Later (BNPL) gains traction amid post-pandemic macroeconomics



Eco-friendly cards, digital payments, and cloud-based payments hubs will boost sustainability



Tokenization – a multi-pronged approach for scalable and secure card payments infrastructure

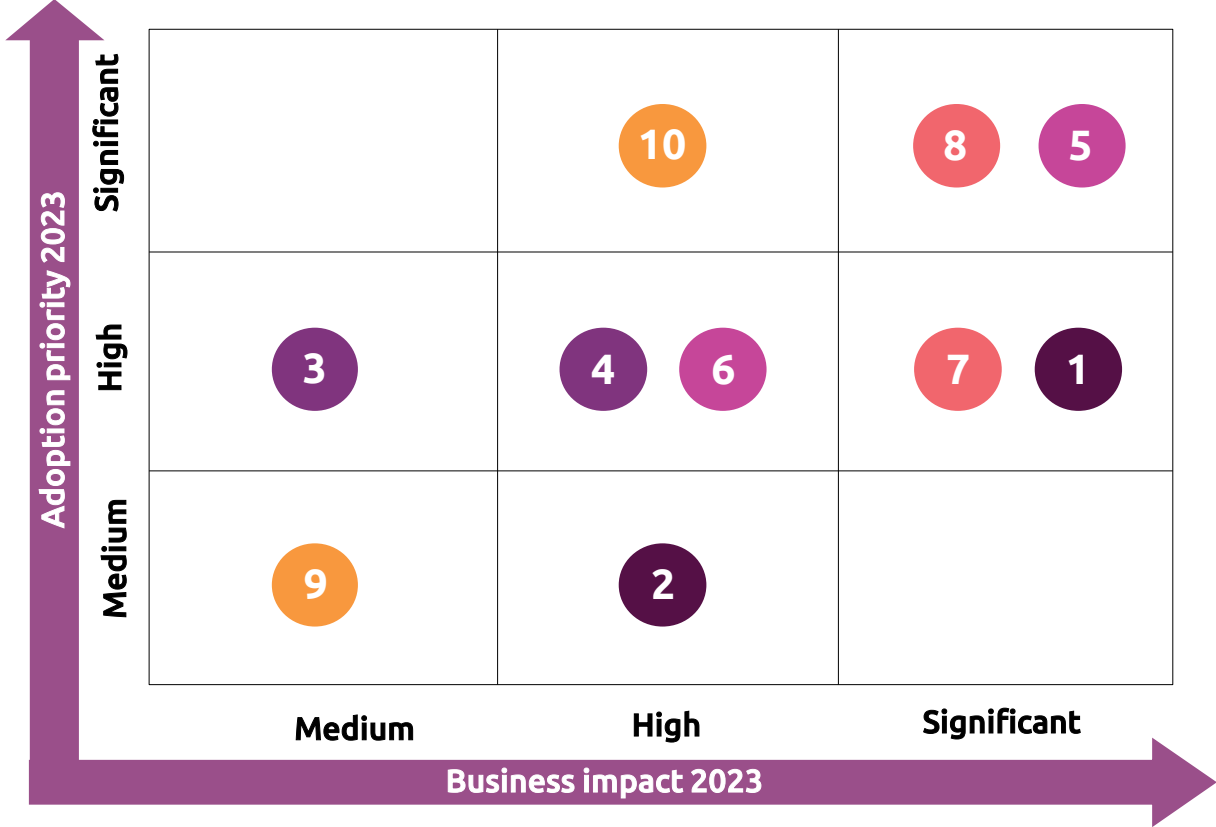


Central banks gear up to pilot and implement CBDCs

A COMPLEX MACROECONOMIC ENVIRONMENT BRINGS CHALLENGES AND OPPORTUNITIES TO THE WM SECTOR



Changes in industry dynamics	
1	ESG regulatory standards aim to curb corporate investment greenwashing
2	Demand for outsourced chief investment officer (OCIO) services is on the rise
Creating and enabling new values	
3	Investor appetite for digital assets drives wealth industry capabilities beyond cryptocurrencies
4	Amid volatility, investors seek new portfolio strategies such as direct indexing
Customer centricity	
5	Wealth management firms refocus on the mass-affluent segment
6	Women increasingly control more wealth, yet many firms falter at winning their mindshare and share of wallet
Business resilience	
7	Evaluating cybersecurity for future readiness
8	A digitalized core can bridge the gap between relationship managers' expectations and WM firms' automation capabilities
New horizons	
9	The wealth management industry is consolidating to achieve scale
10	Family offices showcase bespoke services while facing regulatory dynamics



Source: Capgemini Research Institute for Financial Services, 2022.

- The matrix above presents Capgemini’s view of 2023 trend prioritization in an operating environment that includes
 - Rising inflation and interest rates coupled with stagflation trends
 - Operational disruption due to geopolitical instability
 - Dynamic regulatory environment
 - A highly competitive environment and increased focus on customer centricity due to the entry of new-age players
 - Operational cost overruns and high capital lock-in
- Adoption priority** refers to the urgency of adopting a 2023 trend to maximize value creation because of its sector importance.
- Business impact** represents the impact of a trend on wealth management firms’ 2023 business as it relates to customer experience (CX), operational excellence, regulatory compliance, or profitability.

Circumstances will vary for each firm depending on its business priorities, geographical location, and several other factors. For more information, don’t hesitate to contact us at wealth@capgemini.com.

FROM 2022 TO 2023 WHAT HAS CHANGED AND WHAT NOT?



TRENDS 2023		TRENDS 2022	
1	ESG regulatory standards aim to curb corporate investment greenwashing	1	Strategic WM firms will be ready to capitalize on great wealth transfer opportunities
2	Demand for outsourced chief investment officer (OCIO) services is on the rise	2	Wealth management firms explore consolidation among business units and other firms for strategic advantage
3	Investor appetite for digital assets drives wealth industry capabilities beyond cryptocurrencies	3	Family offices are making a resurgence - worldwide
4	Amid volatility, investors seek new portfolio strategies, such as direct indexing	4	A digital asset investment strategy is becoming important
5	Wealth management firms refocus on the mass-affluent segment	5	Cybersecurity becomes a top priority for wealth firms
6	Women increasingly control more wealth, yet many firms falter at winning their mindshare and share of wallet	6	Human-centered design will be a critical element of firms' digital transformation strategies
7	Evaluating cybersecurity for future readiness	7	Hybrid advice capabilities will unlock new revenue streams
8	A digitalized core can bridge the gap between relationship managers' expectations and WM firms' automation capabilities	8	As sustainable investing evolves, building capabilities to measure ESG impact is the next step
9	The wealth management industry is consolidating to achieve scale	9	Behavioral analytics enable firms in effective client interactions
10	Family offices showcase bespoke services while facing regulatory dynamics	10	The embedded wealth management revolution opens greater ecosystem collaboration opportunities

New trends

- The thriving **mass-affluents and women HNWIS** promise to create enormous growth opportunities for WM firms. But, to capture this growth firms will **need new business models and deep personalization** of products and services.
- Dynamic investment environment pushing investors to embrace **new portfolio strategies** and challenging market conditions will drive **demand for OCIO**.

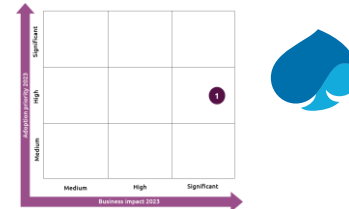
Trends evolution

- **Accountability of ESG investments impact** will be governed by tight compliance and regulations.
- Demand for **digital assets, aggressive digitalization, and automation** of WM firms will lead to the need for a **robust cybersecurity strategy**.
- **Industry consolidation** will continue to gain more market share and capture new segments and, new products and services.
- **Family offices are becoming more personalized** as demand grows for their services.

Deprioritized trends

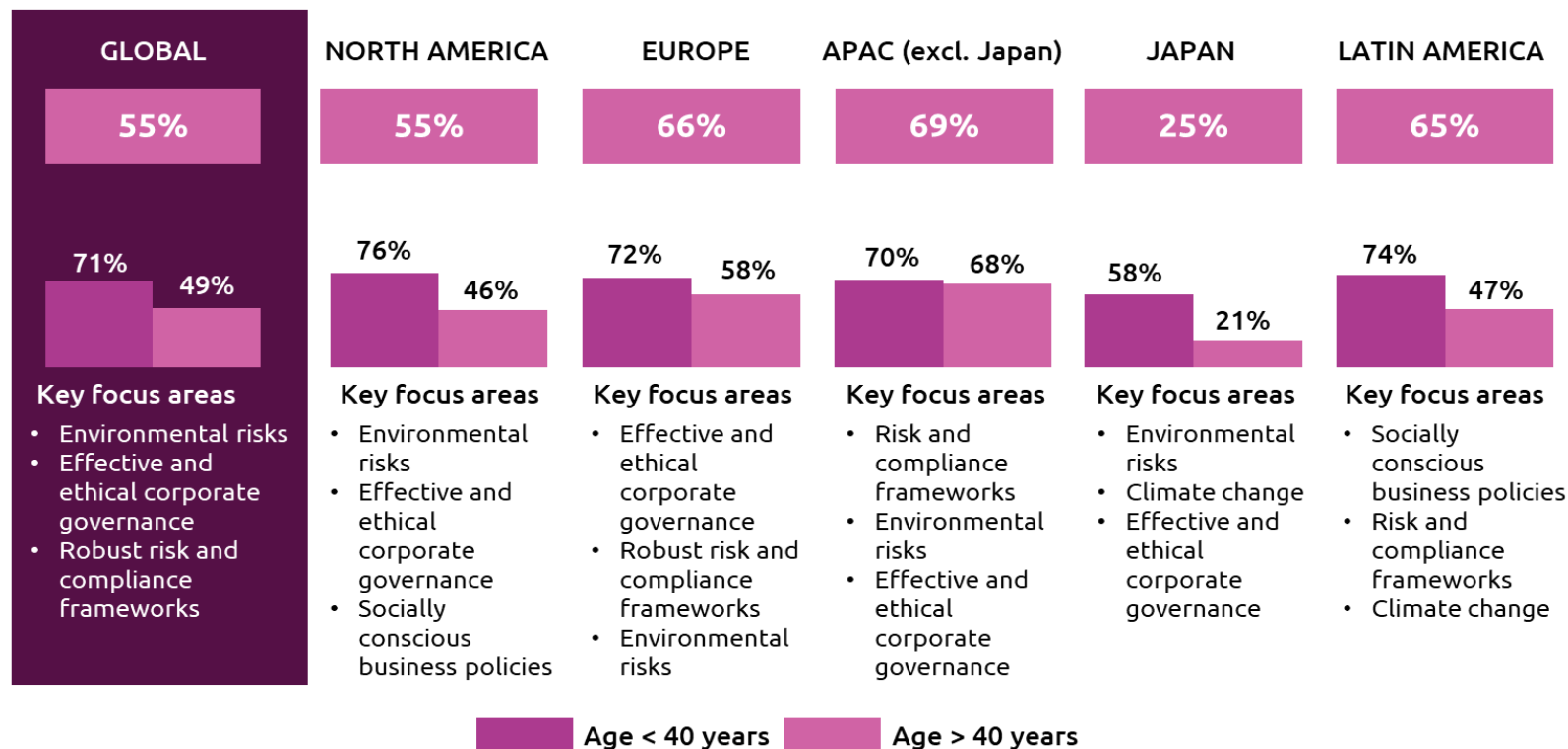
- **Great wealth transfer phenomenon** is very well conceived by the industry today and Also, **the hybrid advice models** are widely adopted by the industry on the backdrop of agile adoption of digitalization.
- The **embedded WM services** are widely adopted by the industry today especially the new-age players and retail bankers.
- Now, **behavioural analytics** is the must-have in firms' digitalization journey.

ESG REGULATORY STANDARDS AIM TO CURB CORPORATE INVESTMENT GREENWASHING



As HNWI demand ESG-aligned products, WM firms must prepare to meet investors' changing priorities

% HNWI who consider Environmental, Social, and Governance (ESG) impact on investment decisions

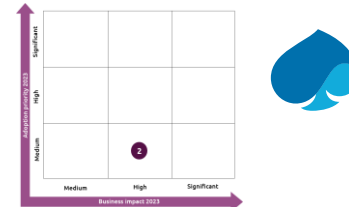


As sustainable investing becomes increasingly popular, the spotlight will shine on social and environmental disclosure gaps. Expect standardization and transparency as regulators drive to safeguard investors.

Source: Capgemini Research Institute for Financial Services, 2023

ESG investment products have become mainstream across markets. So, as HNWI demand proven sustainable investments, WM firms will change priorities and differentiate advice.

DEMAND FOR OUTSOURCED CHIEF INVESTMENT OFFICER (OCIO) SERVICES IS ON THE RISE



Demand is up for OCIO services because investment strategies are becoming more complex



Great Resignation

- Key investment staff and board committee members have either left or retired
- Wealth management firms find it increasingly more viable to shift asset management to OCIOs



Volatile Investment Environment

- Traditional firms are not properly structured to effectively navigate a volatile, complex, fast-moving investing environment
- OCIOs are well-equipped to tackle these situations



Cost Structure and Resources

- OCIOs charge a fixed monthly rate/fee
- Firms can offset costs associated with full-time employees and focus on reducing downtime and driving productivity



Agile Governance Advisory

- Holistic approach to advising clients on articulating risk and return targets
- Effective risk management
- ESG implementation and measurement



Increasing Demand from Corporates, Non-profits, and Pension Funds

- Traditional firms are well poised to take advantage because they have long-standing relationships with these entities



Complex Asset Class Expertise

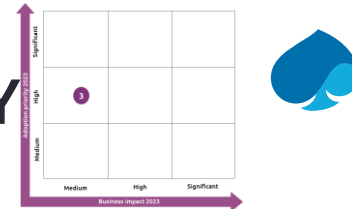
- Bespoke services to suit each investor type
- Expertise in complex products digital assets, PE, infrastructure, alternative assets, etc.

As assets become increasingly complex and market uncertainty makes expert adjustments essential, specialist managers – Outsourced Chief Investment Officers (OCIOs) – offer cost-effective support.

Source: Capgemini Research Institute for Financial Services, 2023

Outsourced portfolio management is poised to become a significant trend – particularly among endowments, foundations, and family offices.

INVESTOR APPETITE FOR DIGITAL ASSETS DRIVES WEALTH INDUSTRY CAPABILITIES BEYOND CRYPTOCURRENCIES



As interest in digital assets booms, WM firms are giving their product capabilities and offerings a facelift

Relationship manager “rockstars” educate clients about the growing universe of digital assets

Wealth management frontrunners meet investor demand for portfolio expansion and diversification by becoming digital asset experts.

They are familiar with a range of digital assets and ecosystems

They are supported by advanced technology infrastructure

They consider investments with an eye on returns

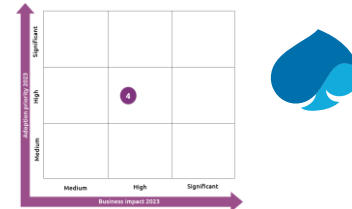
They approach digital asset portfolio combinations strategically

They are well-versed in regulations and associated risks

Source: Capgemini Research Institute for Financial Services, 2023

Firms will overcome digital delivery obstacles by providing their advisors with productivity-enhancing resources and equipping them to handle queries about digital assets.

AMID VOLATILITY, INVESTORS SEEK NEW PORTFOLIO STRATEGIES SUCH AS DIRECT INDEXING



WM firms to prioritize private markets to give HNWLs higher returns and alternative asset diversification advantages



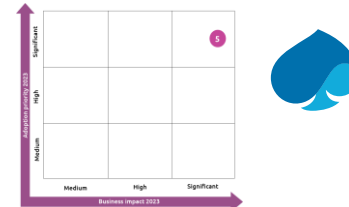
Financial markets worldwide are uncertain due to lackluster corporate earnings, rising interest rates, inflation, and incendiary geopolitics. Volatility is unsettling, but it serves as a reminder of the value of portfolio diversification in distributing risk across geographies, industries, and asset classes.

A rebalanced portfolio can be a safety hedge within a dynamic investment environment.

Source: Capgemini Research Institute for Financial Services, 2023

The direct indexing (DI) trend will continue to gain momentum in 2023 as wealth management firms add DI offerings for a competitive edge.

WEALTH MANAGEMENT FIRMS REFOCUS ON THE MASS-AFFLUENT SEGMENT



A strategic, client-centric strategy is the recipe for attracting and retaining mass affluents



Adopt a client-centric strategy to develop cost-effective and bespoke offerings

Find the right balance between digital and personal interaction while ensuring both are insights driven.



Make strategic investments in advanced tech solutions

Mass-affluent clients expect tailored digital solutions that are relevant to their lifestyle, and only by adopting digital and analytical tools can WM firms deliver seamless services to them. By investing in digital channels, self-learning AI, process automation, and big data analytics, firms can claim a bigger piece of the business.



Implement an agile operating model

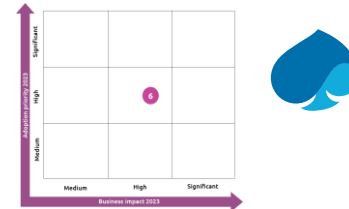
Setting up the organization in a modular way to identify, analyze, and act quickly on the changes in the ecosystem and client expectations will enable WM firms to remain relevant in the disrupted environment.

Historically, WM firms catered to HNWIs with personalized, fee-based approaches and to retail clients with a broad product range; the mass-affluent segment was overlooked.

Source: Capgemini Research Institute for Financial Services, 2023

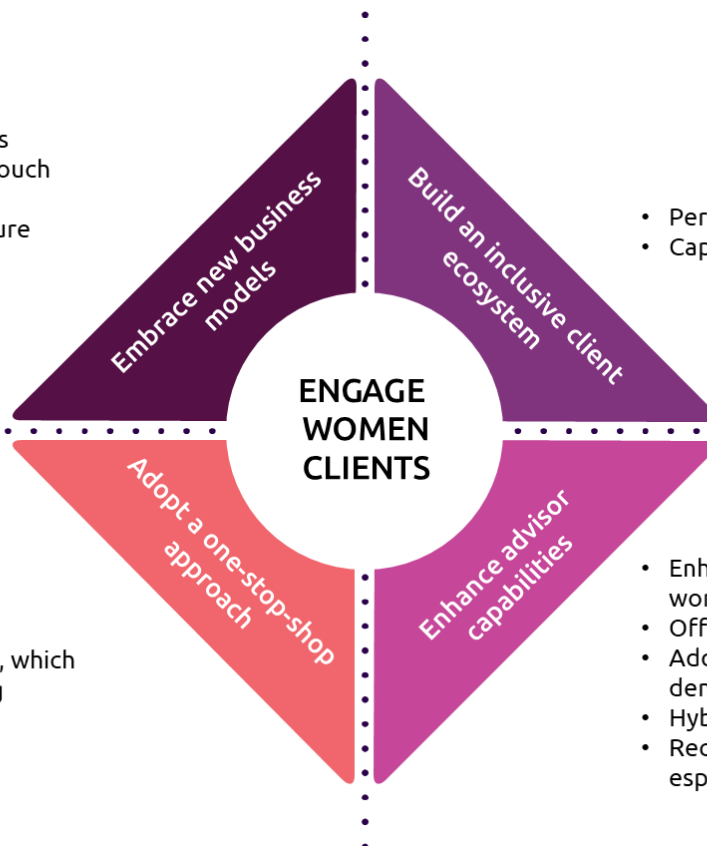
Mass-affluent investors demand and expect more from WM firms. And if firms don't deliver, plenty of enthusiastic FinTechs and robot-advisory services will cost-effectively fill the void.

WOMEN INCREASINGLY CONTROL MORE WEALTH, YET MANY FIRMS FALTER AT WINNING THEIR MINDSHARE AND SHARE OF WALLET



Improved capabilities and engagement strategy can help WM firms serve women more effectively

- Human-centric design that prioritizes women needs to add an emotional touch
- Leverage intelligent automation
- Build a data-and insights-driven culture
- Offer wealth-as-a-service



- Personalize offerings to capture women HNWIs
- Capture the fast-growing tech HWNI segment

- Engage across client life stages
- Offer value-added services
- Support FS and non-FS needs
- Include sustainable wealth offerings, which women now consider when investing

- Enhance digital capabilities for young women HNWIs
- Offer ESG-focused advisory capabilities
- Add intelligent advisory to meet unique demands proactively
- Hybrid advisory and next-gen client reporting
- Recruit a diverse advisor workforce, especially women advisors

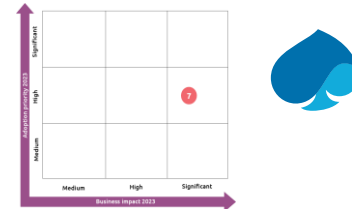


Capturing the mindshare of women and next-gen customers is about developing a new communication approach, advanced engagement channels, and emotional connections.”

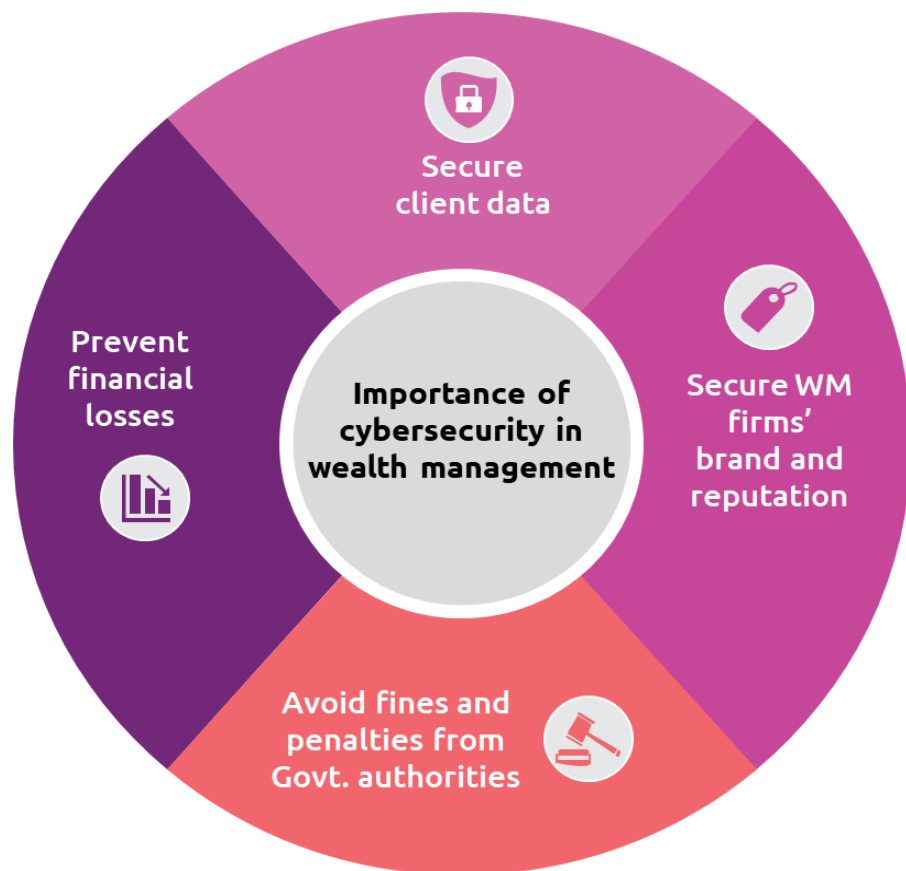
Harsh Kumar, Head of US Citi Alliance, Citi Global Wealth Management, Citi Private Banking, New York, NY

Women are moving up economically, owning a third of today's global wealth. Yet many WM firms misjudge their requirements, leaving women underserved.

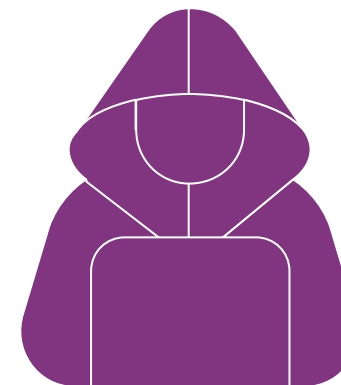
EVALUATING CYBERSECURITY FOR FUTURE READINESS



Cybersecurity is imperative in wealth management



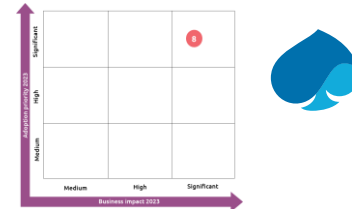
A robust cybersecurity system is more critical than ever in 2023, as wealth services become increasingly digitalized and cloud infrastructure migration expands.



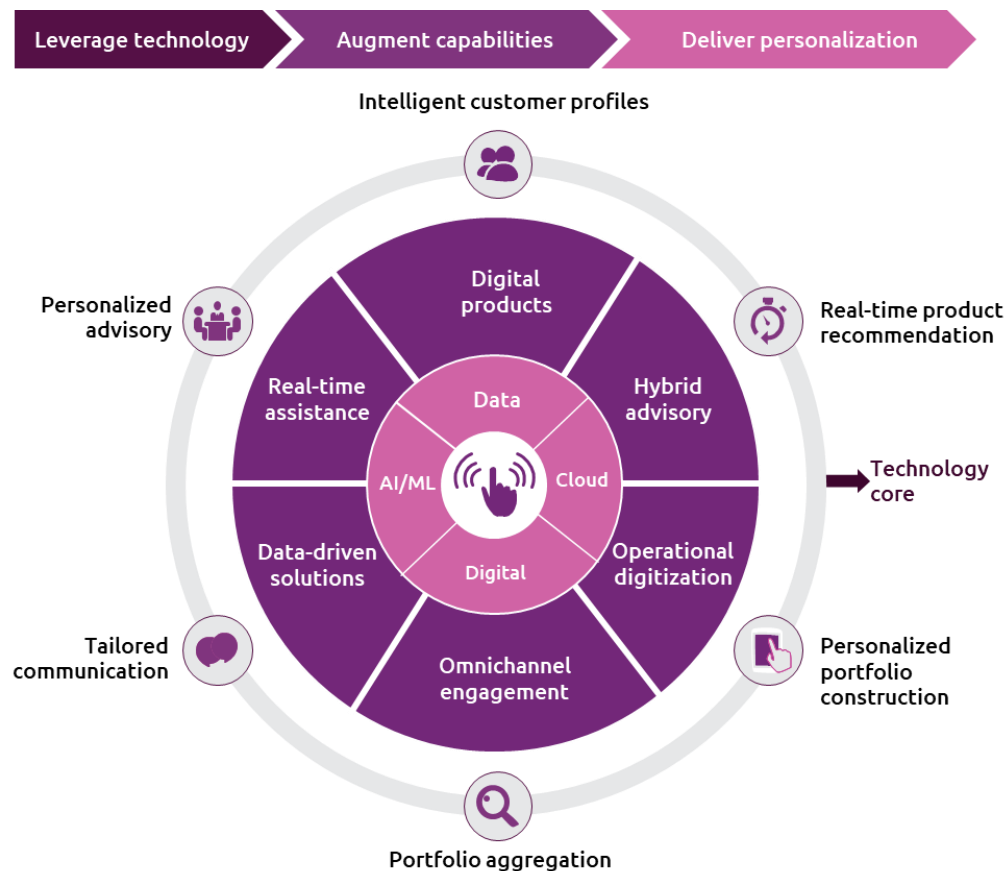
Source: Capgemini Research Institute for Financial Services, 2023

Artificial intelligence, machine learning, and the internet of things (IoT), together with 5G deployment, complicate firms' IT infrastructure. Therefore, cybersecurity capital expenditures will continue to ramp up in 2023.

A DIGITALIZED CORE CAN BRIDGE THE GAP BETWEEN RELATIONSHIP MANAGERS' EXPECTATIONS AND WM FIRMS' AUTOMATION CAPABILITIES



Wealth advisors will gain an efficiency edge as firms modernize their core infrastructure

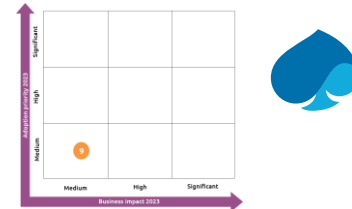


Client engagement and satisfaction improve when relationship managers efficiently manage their time. Those who recognize and eliminate time-consuming tasks, leverage advanced technology, and automate when possible can dedicate more attention to client-facing activities.

Source: Capgemini Research Institute for Financial Services, 2023

We anticipate more WM firms enhancing relationship manager capabilities through actionable data analysis, flexible technology, streamlined workflow activities, and digital tools.

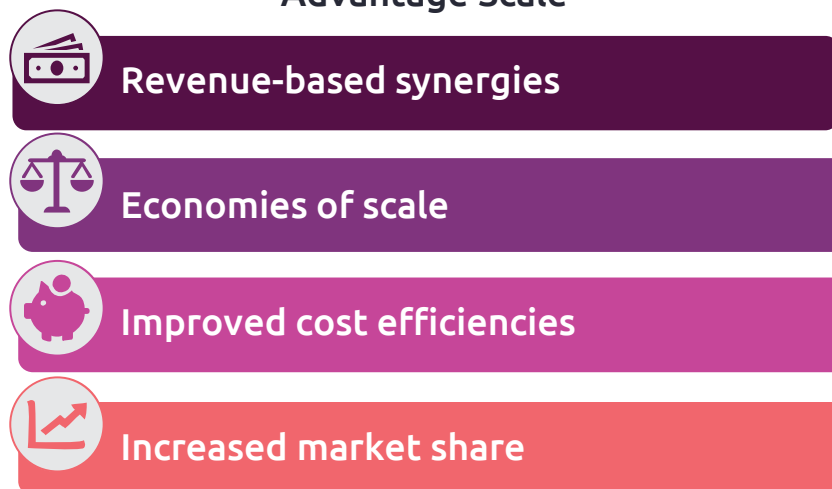
THE WEALTH MANAGEMENT INDUSTRY IS CONSOLIDATING TO ACHIEVE SCALE



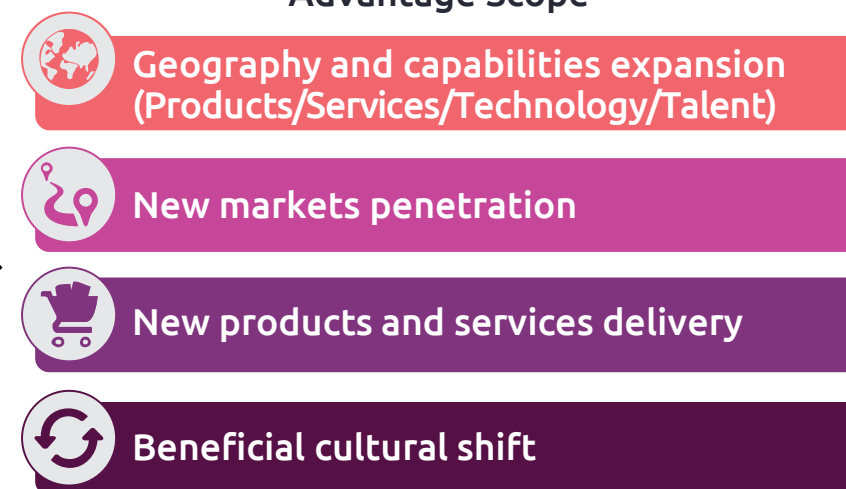
New markets and economies of scale are among M&A benefits

Wealth management firms, big and small, are re-evaluating their long-term strategic direction and strongly considering consolidation to penetrate the HNWI market more deeply.

Advantage Scale



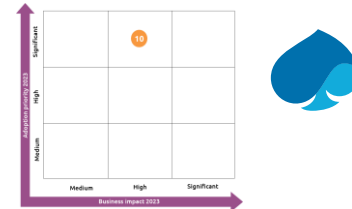
Advantage Scope



Source: Capgemini Research Institute for Financial Services, 2023

The trend to build competitive advantages through scaling products and services, distribution, systems, or operating models has become, and will continue to be, a strategic imperative in 2023 and beyond.

FAMILY OFFICES SHOWCASE BESPOKE SERVICES WHILE FACING REGULATORY DYNAMICS



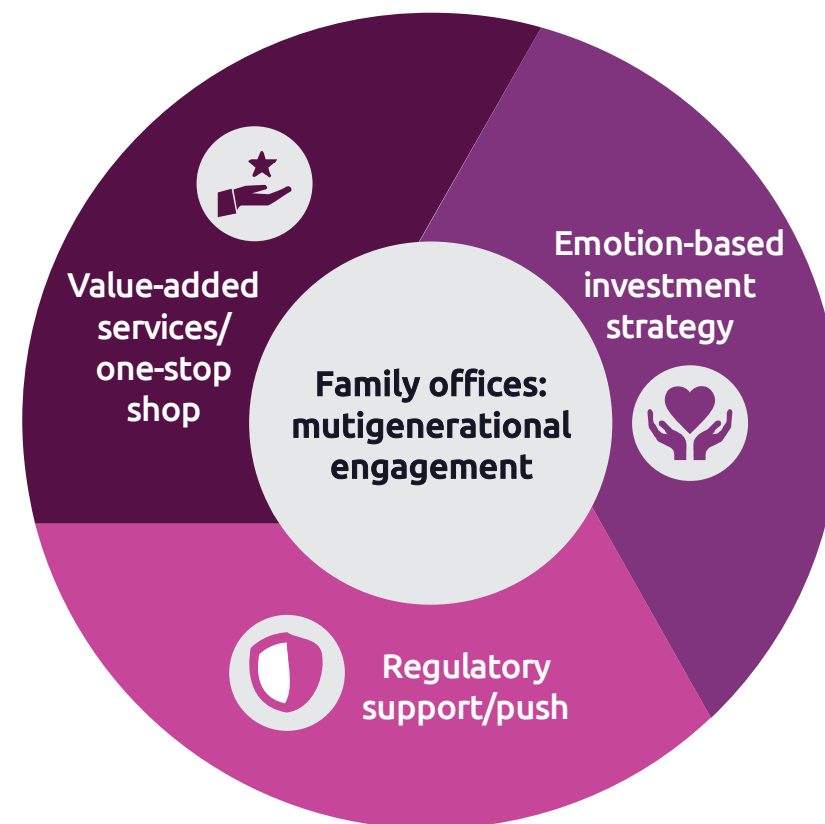
Family offices are evolving with a more holistic approach

Historically, family offices have had a long-term vision for multigenerational wealth through all-in-one-place convenience and hyper-personalized services.



The three-party relationship between the client, the asset manager, and the family office is not about competing for the client but about ensuring maximum value for the client."

François Simon, President and Co-founder, Agami Family Office, Paris



Source: Capgemini Research Institute for Financial Services, 2023

Expect family offices to become central hubs with wide-ranging services from managing wealth to preparing the next generation for succession, counseling, legal advice, tax planning, insurance, healthcare, and event planning.

REACH OUT TO THE CAPGEMINI RESEARCH INSTITUTE FOR FINANCIAL SERVICES



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